
A BILL FOR AN ACT

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to provide the
2 employees' retirement system with the means to improve and
3 protect its funded status by properly funding membership service
4 credit for contributory and hybrid members receiving workers'
5 compensation benefits and acquiring retirement service credit.

6 Employees approved for workers' compensation wage loss
7 replacement benefits are paid up to their full salary for the
8 period of their leave. In contrast to other types of leaves,
9 the employee will earn full retirement service credit for this
10 period, and contributory and hybrid employees have the option,
11 but are not required, to deduct retirement contributions for
12 these wage replacement benefits. If paid, these deficient
13 contributions may be reimbursed by the employee years after the
14 service credit is granted. Similarly, earned membership service
15 is supported by employee and employer contributions during the
16 employee's employment, but acquired service is not. Previously
17 forfeited service may be acquired at any time during the
18 employee's employment at a cost based on the employee's salary



1 at the time of purchase. Previous military service may be
2 acquired at any time after the member meets the eligibility
3 requirements, at a cost based on the employee's salary at the
4 time of purchase. The employee's acquisition cost is
5 significantly lower than the actuarial cost based on the
6 employee's age, retirement eligibility, and projected retirement
7 benefits. Thus, the employee's increased retirement benefit
8 resulting from additional service acquired is funded primarily
9 by employer contributions and by contributions by other current
10 and future employees.

11 The purpose of this Act is to require that contributions be
12 made contemporaneously with the payment of workers' compensation
13 benefits. In addition, this Act requires that the cost for
14 purchasing additional service credit be based on an actuarially
15 neutral calculation and sets a time limit in which the member
16 must initiate payment for certified membership service.

17 SECTION 2. Chapter 88 Hawaii Revised Statutes, is amended
18 by adding a new section to subpart A of part II to be
19 appropriately designated and to read as follows:

20 **"§88- Contributions for unpaid leaves of absence.**

21 Contributions required as a condition to inclusion in membership



1 service of unpaid leaves of absence shall be made by the member
2 within one year after return from the leave of absence."

3 SECTION 3. Section 78-25, Hawaii Revised Statutes, is
4 amended by amending the title and subsection (a) to read as
5 follows:

6 **"[~~f~~§78-25[~~f~~] Credits for employees receiving workers'**
7 **compensation benefits; wage supplement.** (a) Where an employee
8 is absent from work because of injuries incurred within the
9 scope of the employee's employment and the employee is receiving
10 workers' compensation benefits, the employee shall continue to
11 earn vacation, sick leave, and retirement credits as though the
12 employee were not absent but performing duties of the employee's
13 regular employment. Section 386-57 or any other law to the
14 contrary notwithstanding, the employee [~~may elect to~~] shall have
15 deducted from the employee's workers' compensation benefit
16 checks an amount calculated in the same manner as if the
17 employee were not absent but performing duties of the employee's
18 regular employment to be used as the employee's contribution to
19 the retirement system."

20 SECTION 4. Section 88-59, Hawaii Revised Statutes, is
21 amended to read as follows:



1 **"§88-59 Acquisition of membership service.** (a) Under

2 rules as the board may adopt, any member may file with the

3 ~~[board]~~ system a statement of all service as an employee or

4 other service paid for by the State or a county rendered prior

5 to the member's last becoming a member that is not credited to

6 the member, for which the member claims prior service credit,

7 and also a statement of the services for which the member claims

8 membership service credit and for which the member agrees to

9 have additional deductions made from the member's compensation

10 or to make a lump sum payment as described in this section.

11 (b) After the filing of the statement, the board shall

12 verify the service claimed and determine the service credit

13 allowable. Verified prior service shall be credited. Verified

14 membership service shall be paid for by the member in any one of

15 the following methods, at the member's option:

16 (1) If deductions commence or the lump sum payment is made

17 prior to July 1, 2020:

18 ~~[(1)]~~ (A) By deductions from the member's compensation

19 pursuant to Section 414(h) (2) of the Internal

20 Revenue Code of 1986, as amended, under the

21 employer pick up plan under section 88-46. An



1 irrevocable payroll authorization filed by the
2 member for a period not to exceed sixty months
3 shall remain in effect until the completion of
4 the payroll payments or termination of
5 employment, whichever is earlier. The member may
6 elect to have:

7 ~~[(A)]~~ (i) Deductions from the member's compensation of
8 twice the contribution rate provided for in
9 section 88-45 over a period equal to the
10 period for which membership service credit
11 is allowable not to exceed sixty months; or

12 ~~[(B)]~~ (ii) Deductions from the member's compensation of
13 one and one-half times the contribution rate
14 provided for in section 88-45 over a period
15 equal to twice the period for which
16 membership service credit is allowable not
17 to exceed sixty months; or

18 ~~[(2)]~~ (B) By lump sum payment of contributions computed at
19 the contribution rate provided for in section 88-
20 45 applied to the member's monthly rate of
21 compensation at the time of payment multiplied by



1 the number of months for which membership service
2 credit is allowable; provided that after July 1,
3 1982, this method shall not be available to any
4 new member with fewer than five years of
5 membership service exclusive of any previous
6 service acquired under ~~[paragraph (1)-]~~
7 subparagraph (A).

8 (2) If the deductions commence or the lump sum payment is
9 made after June 30, 2020:

10 (A) By deductions from the member's compensation
11 pursuant to section 414(h)(2) of the Internal
12 Revenue Code of 1986, as amended, under the
13 employer pick up plan under section 88-46. An
14 irrevocable payroll authorization filed by the
15 member for a period not to exceed sixty months
16 shall remain in effect until the completion of
17 the payroll payments or termination of
18 employment, whichever is earlier. The amount of
19 the deductions shall be sufficient to amortize
20 the actuarial cost of the membership service to
21 be credited, together with interest at the



1 investment yield rate assumption in effect as of
2 the date the claim for service credit is made, in
3 level twice-monthly payments over the period
4 specified in the irrevocable authorization.

5 Service credited shall be proportional on the
6 basis of whole months. For example, if a member
7 elects to acquire twenty-four months of service
8 over sixty months and terminates employment after
9 thirty and one-half months of deductions, the
10 member will acquire twelve months of membership
11 service credit; or

12 (B) By lump sum payment equal to the actuarial cost
13 of the membership service to be credited;
14 provided that the member has at least five years
15 of membership exclusive of any previous service
16 acquired under paragraph (1) or subparagraph (A).

17 The actuarial cost of the membership service to be credited
18 shall be determined by the actuary for the system based on
19 the age of the member in full years as of the date the
20 claim for service credit is made, the investment yield rate
21 assumption in effect as of the date the claim for service



1 credit is made, the retirement age eligibility requirements
2 and retirement allowance provisions applicable to the
3 member, and other actuarial assumptions adopted by the
4 board in effect as of the date the claim for service credit
5 is made.

6 The deductions from compensation or lump sum payment shall
7 be paid to the system and shall be credited to the member's
8 individual account and become part of the member's accumulated
9 contributions.

10 (c) Membership service credit, in addition to any other
11 service credited to the member, shall be allowed for the period
12 for which the deductions from compensation or lump sum payment
13 have been made as described in this section[-]; provided that
14 payment shall commence within one year after the system notifies
15 the member that the service claimed has been verified and that
16 service credit is allowable; provided further that, for a member
17 who becomes a member after June 30, 2016:

18 (1) Membership service credit for prior service or for
19 service rendered prior to the member's last becoming a
20 member shall be claimed within one year after the
21 member enters service;



(2) Membership service credit for military service pursuant to section 88-132.5 shall be claimed within one year after the member meets the requirements of section 88-132.5(a) or (b); and

(3) Any other membership service credit acquired pursuant to this section shall be claimed within one year after the member becomes eligible to receive the service credit upon satisfaction of the requirements of this section.

(d) The contribution rates under section 88-45 shall be reduced by one and eight-tenths per cent for any service being claimed prior to July 1, 2020, that was rendered prior to July 1, 1961."

SECTION 5. Section 88-324, Hawaii Revised Statutes, is amended by amending Subsections (b) and (c) to read as follows:

"(b) Except as otherwise provided in subsection (c), (d), or (e), verified membership service shall be paid for in any one of the following methods, at the member's option:

(1) If deductions commence or the lump sum payment is made prior to July 1, 2020:



1 ~~[(1)]~~ (A) By deductions from the member's compensation
2 pursuant to section 414(h)(2) of the Internal
3 Revenue Code of 1986, as amended, under the
4 employer pick up plan under section 88-326. An
5 irrevocable payroll authorization filed by the
6 member for a period not to exceed sixty months
7 shall remain in effect until the completion of
8 the payroll payments or termination of
9 employment, whichever is earlier. The amount of
10 service credit that may be acquired pursuant to
11 this method shall not exceed the period over
12 which the payroll payments are made. The member
13 may elect to have:

14 ~~[(A)]~~ (i) Deductions from the member's compensation of
15 twice the contribution rate provided for in
16 section 88-325 over a period equal to the
17 period for which membership service credit
18 is allowable not to exceed sixty months; or

19 ~~[(B)]~~ (ii) Deductions from the member's compensation of
20 one and one-half times the contribution rate
21 provided for in section 88-325 over a period



1 equal to twice the period for which
2 membership service credit is allowable, not
3 to exceed sixty months; or

4 ~~[(+2)]~~ (B) By lump sum payment of contributions computed at
5 the contribution rate provided for in section
6 88-325 applied to the member's monthly rate of
7 compensation at the time of payment multiplied by
8 the number of months for which membership service
9 credit is allowable.

10 (2) If the deductions commence or the lump sum payment is
11 made after June 30, 2020:

12 (A) By deductions from the member's compensation
13 pursuant to section 414(h)(2) of the Internal
14 Revenue Code of 1986, as amended, under the
15 employer pick up plan under section 88-326. An
16 irrevocable payroll authorization filed by the
17 member for a period not to exceed sixty months
18 shall remain in effect until the completion of
19 the payroll payments or termination of
20 employment, whichever is earlier. The amount of
21 the deductions shall be sufficient to amortize



1 the actuarial cost of the membership service to
2 be credited, together with interest at the
3 investment yield rate assumption in effect as of
4 the date the claim for service credit is made, in
5 level twice-monthly payments over the period
6 specified in the irrevocable authorization.

7 Service credited shall be proportional on the
8 basis of whole months. For example, if a member
9 elects to acquire twenty-four months of service
10 over sixty months and terminates employment after
11 thirty and one-half months of deductions, the
12 member will acquire twelve months of membership
13 service credit; or

14 (B) By lump sum payment equal to the actuarial cost
15 of the membership service to be credited;
16 provided that the member has at least five years
17 of membership exclusive of any previous service
18 acquired under paragraph (1) or subparagraph (A).

19 The actuarial cost of the membership service to be credited
20 shall be determined by the actuary for the system based on
21 the age of the member in full years as of the date the



1 claim for service credit is made, the investment yield rate
2 assumption in effect as of the date the claim for service
3 credit is made, the retirement age eligibility requirements
4 and retirement allowance provisions applicable to the
5 member, and other actuarial assumptions adopted by the
6 board in effect as of the date the claim for service is
7 made.

8 The deductions from compensation or lump sum payment shall
9 be paid to the system and shall be credited to the member's
10 individual account and become part of the member's accumulated
11 contributions.

12 Class H membership service credit in addition to any other
13 service credited to the member shall be allowed for the period
14 for which the deductions from compensation or lump sum payment
15 have been made in accordance with this subsection[-]; provided
16 that payment shall commence within one year after the system
17 notifies the member that the service claimed has been verified
18 and that service credit is allowable; provided further that, for
19 a member who becomes a member after June 30, 2016: membership
20 service credit for prior service or for service rendered prior
21 to the member's last becoming a member shall be claimed within



1 one year after the member enters service; membership service
2 credit for military service pursuant to section 88-132.5 shall
3 be claimed within one year after the member meets the
4 requirements of section 88-132.5(a) or (b); and any other
5 membership service credit acquired pursuant to this section
6 shall be claimed within one year after the member becomes
7 eligible to receive the service credit upon satisfaction of the
8 requirements of this section.

9 (c) Verified membership service for which a former class A
10 or class B member in service on June 30, 2006, was eligible as
11 of June 30, 2006, but failed to claim by the date established by
12 the board pursuant to section 88-322(b), shall be paid for in
13 any one of the following methods, at the member's option:

14 (1) If deductions commence or the lump sum payment is made
15 prior to July 1, 2020:

16 ~~[(1)]~~ (A) By deductions from the member's compensation
17 pursuant to section 414(h)(2) of the Internal
18 Revenue Code of 1986, as amended, under the
19 employer pick up plan under section 88-326. An
20 irrevocable payroll authorization filed by the
21 member for a period not to exceed sixty months



1 shall remain in effect until the completion of
2 the payroll payments or termination of
3 employment, whichever is earlier. The amount of
4 service credit that may be acquired pursuant to
5 this method shall not exceed the period over
6 which the payroll payments are made. The member
7 may elect to have:

8 [~~A~~](i) Deductions from the member's compensation of
9 twice the contribution rate applicable to
10 the member under section 88-45 as of June
11 30, 2006, over a period equal to the period
12 for which membership service credit is
13 allowable, not to exceed sixty months; or

14 [~~B~~](ii) Deductions from the member's compensation of
15 one and one-half times the contribution rate
16 applicable to the member under section 88-45
17 as of June 30, 2006, over a period equal to
18 twice the period for which membership
19 service credit is allowable, not to exceed
20 sixty months; or



1 ~~[(2)]~~ (B) By lump sum payment of contributions computed at
2 the contribution rate applicable to the member
3 under section 88-45 as of June 30, 2006, applied
4 to the member's monthly rate of compensation at
5 the time of payment, multiplied by the number of
6 months for which membership service credit is
7 allowable.

8 (2) If the deductions commence or the lump sum payment is
9 made after June 30, 2020:

10 (A) By deductions from the member's compensation
11 pursuant to section 414(h)(2) of the Internal
12 Revenue Code of 1986, as amended, under the
13 employer pick up plan under section 88-46. An
14 irrevocable payroll authorization filed by the
15 member for a period not to exceed sixty months
16 shall remain in effect until the completion of
17 the payroll payments or termination of
18 employment, whichever is earlier. The amount of
19 the deductions shall be sufficient to amortize
20 the actuarial cost of the membership service to
21 be credited, together with interest at the



1 investment yield rate assumption in effect as of
2 the date the claim for service credit is made, in
3 level twice-monthly payments over the period
4 specified in the irrevocable authorization.

5 Service credited shall be proportional on the
6 basis of whole months. For example, if a member
7 elects to acquire twenty-four months over sixty
8 months and terminates employment after thirty and
9 one-half months of deductions, the member will
10 acquire twelve months of membership service
11 credit; or

12 (B) By lump sum payment equal to the actuarial cost
13 of the membership service to be credited;
14 provided that the member has at least five years
15 of membership exclusive of any previous service
16 acquired under paragraph (1) or subparagraph (A).

17 The actuarial cost of the membership service to be credited
18 shall be determined by the actuary for the system based on
19 the age of the member in full years as of the date the
20 claim for service credit is made, the investment yield rate
21 assumption in effect as of the date the claim for service



1 credit is made, the retirement age eligibility requirements
2 and retirement allowance provisions applicable to the
3 member, and other actuarial assumptions adopted by the
4 board in effect as of the date the claim for service is
5 made.

6 The deductions from compensation or lump sum payment shall be
7 paid to the system and shall be credited to the member's
8 individual account and become part of the member's accumulated
9 contributions.

10 Class H membership service credit in addition to any other
11 service credited to the member shall be allowed for the period
12 for which the deductions from compensation or lump sum payment
13 have been made in accordance with this subsection[-]; provided
14 that payment shall commence within one year after the system
15 notifies the member that the service claimed has been verified
16 and that service credit is allowable; and provided further that,
17 for a member who becomes a member after June 30, 2016:
18 membership service credit for prior service or for service
19 rendered prior to the member's last becoming a member shall be
20 claimed within one year after the member enters service;
21 membership service credit for military service pursuant to



1 section 88-132.5 shall be claimed within one year after the
2 member meets the requirements of section 88-132.5(a); and any
3 other membership service credit acquired pursuant to this
4 section shall be claimed within one year after the member
5 becomes eligible to receive the service credit upon satisfaction
6 of the requirements of this section."

7 SECTION 6. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 7. This Act shall take effect on January 7, 2059.



Report Title:

Retirement Service Credit; Workers' Compensation Benefits

Description:

Requires an employee receiving workers' compensation benefits to have retirement contributions deducted from those benefits. Establishes deadlines: (1) for public employees who join the employees' retirement system after June 30, 2016, to claim membership service credit for previous service and for military service credit; and (2) for starting payments to acquire membership service credit for previous service, military service, and unpaid leave. Provides for payment for acquisition based on actuarial cost. Effective date January 7, 2059. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

